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ABSTRACT

The overall economic well-being of U.S. rural communities is on the decline. Rural America is now dependent on a highly diversified economy, and its problems will not be resolved through improved farm income alone. Various weaknesses in rural development policies must be addressed. The narrow policy focus on attracting manufacturing industries to rural areas has hindered needed economic restructuring and helped only a few communities. In many rural areas, aging infrastructures have been neglected, and modern telecommunications systems are not available. Years of selective outmigration have left rural areas short of human capital, and financial capital sources are inadequate in rural areas. Four existing policy options are described, and an approach that brings all four together into one comprehensive policy is advocated. A collaborative funding effort implemented by regional councils composed of a collaboration of stakeholders is recommended in place of the previous approach of pouring money into just one agency. The Colorado Rural Revitalization Program (CRRP) is described and presented as an effective model for rural economic development. A six-step blueprint for policy formation, implementation, and evaluation is based on identifying public preferences and implementing a stakeholder model with an evaluation-feedback cycle. Contains 17 references. (TD)

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WHITE PAPER ANALYSIS OF HUMAN RESOURCE POLICY CONSIDERATIONS OF REVITALIZATION OF RURAL AMERICA

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Human Resource Policy Considerations

for Revitalizing Rural America

Federal policies and programs aimed at improving economic conditions of rural areas have a long history in the United States. In the 1930's the Farm Security Administration and the Farmers Home Administration (FmHA) were established to assist low income and economically distressed farmers. During the 1950's, federal policy took a broad focus by attempting to locate industry in rural America through low interest loans, key public facilities, and training and planning grants. The Rural Development Act of 1972 established a variety of programs, including research grants, to improve the economy in rural areas. However, many of the programs outlined in the 1972 act were not funded as economic conditions in rural America improved during the late 1970's. Most recently, the Rural Development Policy Act of 1980 gave the United States Department of Agriculture (USDA) a leadership role in coordinating a national rural development program. Among other provisions, it created the position of the Under Secretary of Agriculture for Small Community and Rural Development and increased FmHa's annual authorization for planning grants which had been authorized by the Rural Development Act of 1972. These grants are made

to states, substate districts, local governments, and certain community-based organizations to encourage and help meet the cost of comprehensive economic planning in rural areas. As with previous rural economic development legislation, the Rural Development Policy Act of 1980 has been given considerable authorization and exceedingly inadequate funding - a losing strategy, no matter how good the intentions of decision makers.

This paper addresses the need for the evolution of a comprehensive rural economic development policy at the federal level. Accordingly, the body of the paper is concerned with two outcomes. First, the presentation of a blue print to develop a policy which addresses the attendant issues identified throughout this document. Second, the provision of a draft policy based on information garnered during the paper's research.

History and Analysis of the Issues

As this nation approaches the 21st century, non-urban communities are economically faltering despite price support, deficiency payment, and grain loan programs. One reason for this state of affairs is that fewer and fewer payment programs are being made available to the American farmer. A much more important consideration however, is the fact that rural

communities of today have changed considerably since the early 20th century (Pulver, 1988). For instance, they are more diversified, no longer dependent exclusively on agricultural production for economic stability. While diversified, they tend to be regionally specialized and depend on manufacturing, tourism, and retirement as well as the traditional natural resource based industries for income. Rural areas are now more susceptible to changes in macroeconomic variables such as interest rates, exchange rates, inflation, and changes in the international economy. Witness this by the very recent addition of Mexican grain prices to the Chicago stock market quotes. Although not all rural areas are doing poorly (those dependent on tourism and retirement tend to have fared better than other rural areas), the overall trend in the economic well-being of rural communities in this country is that it is on the decline.

The recent weakening (within the past ten to twelve years) in the relative economic stability of the residents of rural America is well documented by both the U.S. Department of Agriculture and the U.S. Congress, among other sources (i.e., Bawden & Brown, 1988; Pulver & Mason-Jenkins; 1988; Wilkson, 1987).

Although much better off than thirty years ago, rural America's fortunes have taken a sharp turn for the worse over the last decade. Rural employment has grown at a rate less than one third that of urban areas. Unemployment rates, once higher in urban areas, are now lower than those in rural areas and rural workers are also more likely than urban workers to be employed in jobs which provide marginal earnings (subsistence wage). The metropolitan poverty rate, already lower than that in non-urban areas, fell during the recovery of the early 1980's but this was not the case in rural areas of the country. The current gap in living standards between rural and urban America, which had been narrowing in the 1960's and 1970's, is growing ever larger.

The decrease in non-urban economic vigor might not have even been noted were it not for the sudden drop in many farm incomes which drew the spotlight of public attention to the plight of the rural condition. What became quickly evident was the fact that rural America was no longer strictly dependent on income from farming and other natural resource based industries, but had been transformed to a highly complex economy (Pulver, 1988).

Much like urban America, rural areas are now

dependent on employment in manufacturing, construction, service industries, and public sector organizations as well as income from transfer payments, dividends, interest, and rental properties. In the rural areas of the U.S., less than one in six of all jobs are in farming (including farm operators) and only one out of three are agriculturally related (including farming). One in five of all people working in non-urban counties is employed (including self-employment) in manufacturing while approximately one in seven is employed in trade. About 15 percent are employed in service-based industries (primarily in business and health services) and another 15 percent in government positions. Twenty-one percent of rural U.S. counties are identified as retirement centers and thus heavily dependent on income from dividend, interest, rental, and social security payments (U.S. Congress, 1986). Close inspection reveals that rural areas have suffered severe cut backs in several of these income sources and are recovering more slowly than urban areas. Clearly evident is that rural America's problems will not be resolved through improved farm income alone (one of three priority issues addressed by the Food Security Act of 1985).

A number of reasons have been offered for the fall

in the relative economic vitality of rural America. Following are the three major contributing factors which have been identified by the U.S. Department of Agriculture, U.S. Congress, and economists:

First, employment in the U.S. has shifted away from an agricultural dominance to manufacturing and most recently, to the service-based industries (Somersan, 1987). Second, service-based industries have provided the greatest employment growth in the U.S. in recent years (Miller & Bluestone, 1987). Third, federal spending in the form of direct payments, procurement contracts, grants, loans, and employment opportunities has an increasingly significant impact on state and local economies (Reid & Dubin, 1988).

Supporting Rationale for a Policy

Despite the fact that there are a number of legitimate arguments for instituting a rural revitalization policy, this country lacks a comprehensive, strategically oriented policy for shaping and directing rural economic development. The issues which undergird the need for a more effective rural economic development policy at the federal level form the basis for much of the proponents' views for development of such policy (this is addressed in the next section). Economists have

proposed four major variables for consideration in the implementation of rural development policy (Fisher & Sanders, 1988).

First, policies have been narrowly focused on agricultural and extractive sectors of the economy and have been concerned primarily with attracting manufacturing industries to rural areas. Two major negative impacts have resulted from this strategy. One, the economic restructuring needed in rural America is hindered rather than facilitated. Two, only a few of the large number of rural communities are helped.

Second, aged and inappropriate infrastructure is pervasive throughout rural America. For example, roads and bridges constructed in the early 1900's will not accommodate large vehicles or farm equipment used today. Water and waste disposal systems constructed earlier tend to be obsolete and out-of-repair. Additionally, new high-technology infrastructure such as modern telecommunications systems are not available in most rural areas. This puts rural areas at a competitive disadvantage in attracting and retaining industries dependent upon advanced technologies. Limited taxing capacity in sparsely populated areas may also preclude investment in the infrastructure necessary to restructure the economy of rural

communities.

Third, many rural areas lack an adequate human resource base. Years of selective out-migration have left rural areas short of human capital for private business management and for public leadership. Most firms in rural areas are small and this means an owner/manager must handle responsibility for several areas that would be normally be relegated to departments staffed by specialists in larger firms found in urban areas. Due to the sparse population and small number of businesses, specialized business services and certain training programs are not available to rural entrepreneurs. Local government in rural areas suffers from the some of the same limitations as private business - volunteer and part-time personnel, often without adequate training.

Fourth, capital sources may be inadequate (and most likely will be in the short run). Rural financial institutions have experienced an economic crisis stemming from the agricultural slump of the 1980's, the sudden drop in mineral, timber and energy prices, and the recession in the national economy during the 1980's. Those institutions with portfolios including a high proportion of loans to financially troubled industries have experienced severe liquidity problems.

and consequently, there may not be sufficient funds in many rural areas to finance new business or economic development projects. Additionally, there is public concern that large, non-locally owned banks will be less responsive to the credit needs of farmers and entrepreneurs than locally owned banks.

Perceptions of Proponents and Opponents

One could be argued that the decline in the relative economic strength of rural areas is an appropriate response to long-run changes in the structure of the U.S. and world economies (Pulver, 1988). Some might say "Small towns are going to die, why not let them?" The argument continues that rural areas are simply less competitive in the evolving scheme of the U.S. economy and so declines in the rural economic activity and population are signs of greater long-run efficiency for the nation as a whole. Opponents of a comprehensive rural development policy admit there may be serious short-run problems associated with economic dislocation of rural areas but in the long-run, the greater proportion of the U.S. population would gain greater financial stability. If the opponents' argument holds, then any rural development policy other than one focused on easing the transition of resources (both human and capital) from

rural to urban areas is unwarranted.

The current reduction in national support for agricultural extension and research is perhaps a sign of things to come. Rural development policy focused on ensuring an adequate supply of food to the U.S. population and other world markets by rewarding increased production efficiency and large producers is, by itself, not apt to receive continued widespread public support. Opponents of large-scale rural economic development policy point to the ever increasing public expenditure for agricultural production, higher costs associated with public purchasing of surplus commodities, and rapid declines in the number of family farms as three primary reasons why further rural development programs are unwarranted (Pulver, 1988).

Proponents of rural economic development policy contend that such policy is imperative for four fundamental reasons (Pulver, 1988). These arguments closely follow the issues which were presented in the preceding section on supporting rationale.

First, rural areas have been investing for generations, with little compensation, in the development of human resources that are "exported" to urban areas of the country. Young people raised and

educated on farms and in small towns gain employment in cities, thus exploiting the investment of their rural families and neighbors.

Second, there are large sunk costs in private and public infrastructures located in rural areas. There are untold billions of dollars invested in private homes, stores, offices, manufacturing plants, telecommunications, public streets, highways, schools, water and sewer systems, airports, health care facilities located in rural communities of the U.S. The replacement of abandoned physical structures and institutions necessitated by migration from rural to urban areas would come at a very high short-run cost.

Third, no serious effort has been made to account for the "externalities" associated with rural to urban migration. For instance, are there costs related to crime, delinquency, drug dependency, mental stress, or educational deterioration resulting from the increased concentration of human population in urban areas? Perhaps these costs more than compensated for by increased production efficiency and easier access to higher education and other cultural activities?

Fourth, rural regions continue to be critical sites for the production of specific goods and services. For example farming, forestry, and mining

take place where essential natural resources are available and a certain level of public and private infrastructure is necessary to support the people employed in these rurally situated industries.

A Draft Policy for Rural Economic Development

Rural economic development policy options may be classified in to one of four general categories (Fisher & Sanders, 1988). Each of these merits a brief description before I present my view of a new rural development policy because I believe each "type" of policy is integral for a more effective rural economic development policy.

First, policies may broaden the focus of existing rural economic development programs. Examples include targeting federal and state dollars for businesses in rural areas; identifying and developing foreign markets for rural based businesses; providing tax incentives, grants and loans to stimulate development of new retail and service industries in rural business districts; and supporting university research projects to develop new products from resources available in rural areas.

Second, policies may provide financial support for development of necessary business infrastructure. The U.S. government has traditionally played a key role in financing important infrastructure facilities and

services such as highways, roads, bridges, sewer and water facilities, and industrial sites.

Third, policies may furnish support for rural human resource development as human resources are vital for a healthy rural economy. Educational and technical assistance programs are required to develop business management, entrepreneurship, and community leadership skills. Significant progress for providing the quality and quantity of human resources needed in rural areas is unlikely without federal cost sharing in these programs.

Fourth, policies may improve access to financial capital for starts and expansions of rural enterprises. Financial assistance through loans, grants, and tax incentives have historically been part of federal rural development policy. Some of the traditional programs like the Small Business Administration's loan guarantee programs are not as readily available in rural as in urban areas. Additionally, enabling legislation could provide for the development of locally accessible capital pools for use by rural businesses.

My conception of a rural development policy would contain elements from each of the arrangements described above. One might call it an eclectic approach which calls for the same basic priority issues

addressed by the Food Security Act of 1985. These issues were: a) support and stabilize farm income; b) promote U.S. competitiveness in world markets; c) restrain budget expenditures. These issues are also addressed by the 1990 Farm Bill and the Rural Development Policy Act of 1980. In fact, the U.S. does have several major pieces of rural development policy enacted into legislation. I believe what is needed is a gathering together of the various pieces into a coherent, single policy statement. These separate pieces of rural development policy have been generally assessed as sound and fairly effective by researchers and economists alike (Daft, 1988). What has been heavily criticized and identified as each of their weaknesses are the lack of funding and the manner of implementation.

Based on research for this paper, I believe that what is needed is not necessarily a new or different rural economic development policy but rather, a bringing together of the many scattered, individual policies into a single, comprehensive piece of legislation. I also believe that an innovative method for implementing such as policy is required because the procedures used to date have been only marginally successful.

Naturally, the very basic concern of funding would have to be addressed first and ideally, implementation of this policy would be a collaborative effort (driven at the federal level) with money provided by several governmental agencies. For instance, a small percentage of the operating budget from federal agencies such as the Department of the Interior, Department of Local Affairs, Forest Service, Soil Conservation Service, and the Department of Agriculture could be allocated for use in supporting rural economic development programs. A new comprehensive policy would call for the formation of a federal council to bring these governmental agencies together and consolidate their resources for distribution at the state and local levels.

Having satisfied the fundamental problem of funding, I would suggest the creation of state or regional councils to implement policy at the local level. I view this procedure as inherently more responsive than one in which responsibility for policy implementation resides at the federal level. The state councils could be presided over by the state FmHA director - a person intimately familiar with rural economic development issues and concerns - and would consist of representatives from several stakeholder

groups. For example, the Department of Local Affairs, Department of Agriculture, and regional universities could each bring to bear a level of expertise in rural community development. Such a collaborative approach is something which has never been attempted with respect to rural economic development. Rather, previous rural development policies have concentrated on building "empires" by pouring greater amounts of money into just one agency (i.e., the U.S. Department of Agriculture).

A model which, in my estimation, provides a very effective means to support rural economic development policy is the Colorado Rural Revitalization Program (CRRP). The CRRP, partially funded by the W.K. Kellogg Foundation, is a cooperative effort among Colorado State University, the University of Colorado and Colorado's Department of Local Affairs to provide assistance to communities that need leadership training and require a strategic planning process or technical assistance to focus their community development efforts. The goal of the project is to link technical and development assistance with leadership training to systematically foster improvement and self-sufficiency in rural Colorado communities.

Basically, the project involves a five-step

process that provides a springboard to action.

Step 1: A community is selected to participate in the revitalization project and a community site manager is appointed.

Step 2: A revitalization committee is formed to develop a clear picture of the community through surveys, analysis, and other information-gathering methods. This information is then used to develop an action plan for the community.

Step 3: Leadership training is provided for the revitalization committee and other key community members.

Step 4: Resources are mobilized to broaden the base of the revitalization committee by involving local people and organizations and capitalizing on available external technical expertise. Content training is then planned and scheduled.

Step 5: The community action plan is coordinated and implemented. The entire program is then evaluated and plans for the future are made by reprioritizing community projects to begin the process again.

What brought about the conception of the CRRP? Many people who live in rural communities want to continue to live there. The CRRP was designed to provide these people with the leadership and technical

knowledge to bring about the changes needed to make a rural community thrive. However, not all communities are eligible for participation in the program. Priority is given to communities that meet the following eligibility criteria:

a) Have a population of less than 5,000

b) Are considered primarily a rural community

c) Have a need for training and/or technical assistance for community improvement

d) Demonstrate a commitment to participate in the project

The CRRP provides a comprehensive resource network for rural communities. This same network also has strengthened the individual partners (CSU, CU, and DOLA) by allowing them to discover each other's resources, which support and enhance existing programs. This increased conversation and cooperation translates into direct benefits for rural communities. Communities formerly in contact with one partner are now tied into the resource network of all three, each with individual, yet complementary, strengths.

In the first year of the CRRP, 24 communities participated in the project. Across the state, participating communities put into action the plans developed during training sessions with the CRRP.

Community project included:

a) Infrastructure (water quality, phone lines)

b) Planning (community improvement plans and surveys)

c) Information/Education (workshops on community development)

d) Quality of Life Improvements (parks, museums, beautification)

e) Economic Development (tourism, downtown revitalization)

Although still in a stage of relative infancy, the CRRP demonstrates to me a well planned and well implemented strategy for carrying out rural development. The CRRP is a mechanism which is currently in use and achieving positive results - my rural economic policy would simply call for legislation at the state and federal level to legitimize a similar process for implementation in other states.

A Blue Print for Policy Development

The process required for the derivation of a new format for rural economic development policy would demand an iterative cycle which includes the following steps (Geroy, 1990; Jones, 1977):

a) Conception of the policy ideology (identify the publics and associated needs which the policy

will address)

b) Formulation of policy proposals (develop a method or plan for alleviating the needs)

c) Legitimization of policy programs (establish a stakeholder model to provide the authority, consent, obligation, and support needed to develop the policy programs)

d) Appropriation for policy programs (obtain necessary funding from federal agencies)

e) Implementation of policy programs (public administration of the policy programs)

f) Evaluation of the policy programs (determine the merits of specific program outcomes)

The activities which support the steps described above are not easily accomplished but they are necessary if the policy is have the desired impact. First, identification of the relevant publics is essential to guarantee inclusion of pertinent opinion in the formulation of the policy. These publics may include farmers, legislators, rural citizens and business owners, and urban constituents as well. Second, a representative group from each public should be utilized to create a stakeholder model for policy development and implementation. This will help to ensure formulation of policy which each public agrees

with and shares responsibility for. Third, a needs assessment or measurement of public opinion should be conducted to determine the needs of the various publics and the intensity of their respective opinions with regard to the policy. This will provide a "road map" to guide policy development and formulation. Fourth, the policy should be drafted and proposed as quickly as possible following the needs assessment to ensure that the true preferences of the publics are being met. Fifth, the policy should be implemented via a collaborative model such as the CRRP. Reasons for this have already been addressed. Sixth, the policy programs need to be monitored on an on-going basis to provide a systematic measurement of their effectiveness. The results from this evaluation process should be used as input for the final policy development/implementation activity which begets the initial policy development process again - provision for a feedback mechanism so that evaluative data can be used to refine or redirect policy and attendant programs.

Appropriateness of the Policy

Assuming policy developers have emulated the activities and process outlined above, I have little doubt that a resulting rural economic development

policy would be quite effective in addressing the stated preferences of the publics and achieving the desired ends. This is primarily due to the stakeholder model and the evaluation-feedback cycle as being integral components of the policy development and implementation process. After all, if accurate measurement of public preferences precedes policy formulation and a stakeholder group takes responsibility for its implementation, slight room will be left for the establishment of policy which is "off target" or unsatisfactory. If all concerned parties share ownership of the process, effective policy development and implementation is practically guaranteed. I may be describing utopia but I doubt it. Certainly, not every member of a given public will be completely happy with a policy developed under such circumstances but I believe that the greatest number of needs expressed by relevant publics will be met.

NOTE: Within the past month, a "Presidential Initiative" has been introduced which proposes to encourage the development and implementation of a new rural economic development policy. The process by

which this policy will be executed follows a scheme closely resembling the one presented in this paper. Knowledge of this Presidential Initiative was acquired via personal interviews with Warren Trock and Larry Dunn at Colorado State University. Surprisingly, further investigation with the Farmers Home Administration provided no additional information regarding the initiative.

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